

RAISING GRANDCHILDREN-FINANCIAL TIPS FOR GRANDPARENTS

Raising Grandchildren in ‘Second Parenthood’



Financially support your grandchildren

If you have adult children, you probably thought your childrearing days were behind you as you approach or currently enjoy your retirement. But if you’re one of the nearly 3 million U.S. grandparents raising grandchildren as a primary caregiver, your idea of retirement has likely changed.

The need for grandparent care can arise following an adult child’s death, absence due to military service, job insecurity or many other scenarios. Physical impairments, mental health concerns and disabilities affecting an adult child or a grandchild can also impact your family dynamic.

Regardless of the circumstances, the impact of “second parenthood” can be significant on your family, personal life, goals and bank account.

Get ready for ‘second parenthood’

Feeding, clothing and educating grandchildren undoubtedly put new economic stress on a household income ([click here for an infographic on the financial ramifications of second parenthood](#)). As individuals approach retirement, the idea of caring for a child can alter retirement plans. Some people delay retirement and work longer than originally planned, while others forgo funding their retirement accounts due to childcare expenses. For those already retired, second parenthood might mean re-entering the work force on a full- or part-time basis.

“Is it going to derail your retirement? Maybe not,” says Joe Sicchitano, CFP, Head of Financial Planning at SunTrust Bank, SunTrust Investment Services, Inc. “But is it going to change your retirement? Absolutely.”

For current and future retirees, smart planning is the key to balancing newfound responsibilities with long-held goals. For example, grandparents who don’t want to damage their grandchildren’s relationship with their parents may avoid seeking legal custody out of guilt. However, taking emotion out of the decision might reveal that custody could qualify the grandparent for government assistance that’s needed to help provide for the children, Sicchitano says.

“Very often, grandparents have planned their entire lifetime to start taking advantage of retirement, and all of a sudden they’re faced with very quick and impactful decisions,” Sicchitano says. “You must be able to step back and acknowledge emotion to understand how it is influencing you, but not let it adversely affect your decision-making so that you make the wisest long-term choices for everybody involved.”

Plan for parenting—again

If you’re facing second parenthood, the following steps can help you create a multi-generational financial plan that protects your family and your retirement.

- 1. Assemble a team:** Sicchitano recommends working with experts who can help you sort through the financial, tax, legal and emotional concerns associated with raising a grandchild. This team may include a financial planner, accountant, attorney, social worker and psychologist.
- 2. Understand available benefits:** Sicchitano says establishing your legal status—perhaps by obtaining custody of grandchildren or adopting them—is important, as it may affect eligibility for government assistance, like social security benefits. This is especially helpful for grandparents already retired and living on a fixed income. If you’re not yet retired, or plan to go back to work, legal status also could qualify you for employer-sponsored benefits, such as dependent healthcare and childcare.
- 3. Build a budget:** The importance of budgeting should not be overlooked, Sicchitano says. Grandparents must have a clear picture of both income and expenditures to provide for new dependents. If you’re already retired, take note: If your budget demands it, you may need to consider returning to work. If you haven’t yet reached full retirement age, doing so means you may have to return to the government a portion of the social security benefits you’ve already received.
- 4. Adjust your investment strategy:** Grandparents who care for grandchildren should rebalance their investment portfolio and look at it in the context of a larger financial plan, Sicchitano says. Although it might reduce portfolio risk, for instance, being overly conservative might increase overall financial risk if investments don’t generate enough income to support children. Likewise, being overly aggressive might benefit one’s portfolio but could jeopardize the family’s long-term financial security.
- 5. Plan your tax strategy:** Although it can create new financial responsibilities, caring for grandchildren also may create new financial opportunities, including tax credits and deductions, such as the earned income credit and the child and dependent care credit, Sicchitano says.

Faced with a new financial reality, it’s often helpful for grandparents to remind themselves where their money is going, Sicchitano says.

“Caring for your grandchildren is rooted in the fact that you care for your grandchildren,” he says. “You do it because you love them and want to provide for them. Especially in the case of a deceased or absent parent, it’s a chance to shower them with love that they might not have gotten otherwise.”

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